



BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

April 8, 1998

Mr. Howard M. Schneider  
Senior Vice President  
Bankers Trust New York Corporation  
130 Liberty Street  
New York, New York 10006

Dear Mr. Schneider:

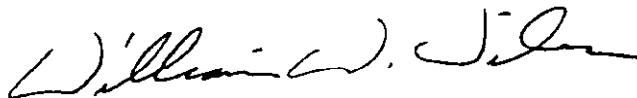
This is in response to your letter of March 25, 1998, in which you request an exemption from the Board's appraisal regulation for a specific investment program in commercial mortgage-backed securities (CMBS) by Greenwood Properties Corporation (Greenwood), an indirect subsidiary of Bankers Trust New York Corporation (BTNY). Greenwood is a wholly owned subsidiary of BT Holdings (New York) Inc., which is a wholly owned subsidiary of BTNY. Under the Board's appraisal regulation (12 CFR 225.63(a)(12)), an institution may request an exemption from the regulation for an individual real estate-related transaction when an appraisal is not necessary to protect federal financial and public policy interest in the transaction or to protect the safety and soundness of the institution.

According to staff at the Federal Reserve Bank of New York, BTNY is seeking a waiver from the Board's appraisal regulation for the purchase of a specified list of CMBS by Greenwood. BTNY has provided a list of CMBS issues and tranches which Greenwood plans to purchase with its expected percentage interest in the total tranche. The list also indicates tranche-by-tranche ratings by any or all of the four major credit rating agencies. Greenwood expects to purchase a total of [ ] of the listed CMBS with a maximum investment in any single issue not to exceed [ ] nor more than [ ] of any one issue. Further, Greenwood would not invest in any tranche of any issue that is not rated investment grade, that is BBB- or better (or Baa3 by Moody's) by at least two of the four listed rating agencies. Your letter notes that BTNY will be conducting a due diligence review based on all available data, including nonconforming appraisals, engineering and environmental consultants' reports, reviews by brokers and local legal counsel, data from site visits, market reports, historical financial reports, and listings of comparable sales. In each case, the relevant BTNY unit with CMBS expertise also will evaluate prepayment risk, secondary market trading activity, and any concentrations of assets or particularly large assets supporting the issue.

BTNY plans to provide staff at the Federal Reserve Bank of New York with periodic updates on its investments in the CMBS issues listed in your March 25, 1998, letter. Further, BTNY requests that it be allowed to substitute or add later investment grade issues to the March 25th list based on the producers and limits summarized above and after notifying the staff at the Federal Reserve Bank.

Acting on behalf of the Board pursuant to delegated authority (12 CFR 265.7(c)(6)), the Director of the Division of Banking Supervision and Regulation has approved the exemption from the Board's appraisal regulation for the CMBS transactions specified in Greenwood's CMBS investment program. If BTNY wishes to expand the program above the [ ] limit or initiate a CMBS investment program for another BTNY unit, BTNY would be required to submit another request for an exemption from the Board's appraisal regulation.

Sincerely,

A handwritten signature in black ink, appearing to read "William W. Wiles". The signature is fluid and cursive, with a large initial "W" and a stylized "Wiles".

William W. Wiles  
Secretary of the Board

cc: Rona Pocker, Federal Reserve Bank of New York  
Dan Staehle, Federal Reserve Bank of New York